

GOVERNMENT OVERSIGHT COMMITTEE



Iowa State County Treasurers Association
April 14, 2005

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To: Members of the Government Oversight Committee

From: Lee Duin, Polk County Treasurer's Office
▪ Original Task Force Co-Chair
▪ Manager Website Policy Group
Dave Jamison, Story County Treasurer
▪ Original Task Force Co-Chair
▪ Member Senior Policy Group
Kim Reynolds, Clarke County Treasurer
▪ Original Task Force Member
▪ Member Senior Policy Group

RE: Clarifications/corrections to previous comments and documents provided to the Government Oversight Committee regarding the Iowa County Treasurers Association Website.

Thank you for the opportunity to clarify and correct any misunderstandings about the Iowa State County Treasurers Website project. In general terms, our concerns are summarized below.

Reference document "Iowa Land Records" memo dated March 31, 2005:

1) Q 1. - CLRIS: "However, it is unclear to us whether the Treasurers have in fact executed a 28E agreement."

Treasurers Response:

- There are binding contracts between the Polk County Treasurer and the other 98 county treasurers to provide treasury management services and state sinking fund protection for funds collected through our website.
- There are binding contracts between 99 county treasurers and Iowa Interactive to participate in our project.
- There is a master contract between the Iowa State County Treasurers Association and Iowa Interactive to provide website services to the citizens of Iowa.
- Iowa Interactive was selected because of an existing contract between Iowa Interactive and the State of Iowa and because of their business model.

2) Q 3.1 - CLRIS: "Treasurers and Iowa Interactive were asked to submit proposals for both payment services and treasury management services. In both cases the Treasurers declined, and instead sought to secure commitment from ISAC to accept their joint business proposal with Iowa Interactive."

Treasurers Response:

- The treasurers did respond to the CLRIS request. However rather than respond with a piece meal approach the ISCTA Executive Board approved and presented an eGovernment Services Proposal (September 2004) to ISAC that provides integrated payment engine and treasury management services to all ISAC affiliates for eGovernment applications. (Reference Exhibit "A" attached)

- The Polk County Treasurer, not ISCTA, declined a subsequent request for treasury management services. Why? The Polk County Treasurer did not believe she could provide adequate treasury management services without full access to all treasury management components, i.e., payment engine and transaction records.

Q3.1 - CLRIS: “Iowa Interactive is concerned about the success of CLRIS and how that may undermine their business plans.”

Treasurers Response:

- Iowa Interactive is a subsidiary of NIC, the largest e-government provider in the USA.
- The treasurers’ experience with Iowa Interactive has been nothing short of phenomenal.
- Iowa Interactive has been successful in a competitive bid process to provide e-government services in Iowa.
- We are not aware of anything in their conduct of business that would warrant such an unfounded allegation.

- 3) **Q4 – CLRIS: “The scope of work required for the CLRIS project is substantially bigger and more complex than the Treasurers project.”**
- 4) **Q5 – CLRIS: “The CLRIS project does not simply require the periodic uploading of tax information through FTP to Iowa Interactive.”**

Treasurers Response:

- If scope is defined as the range of operation, are we not the same – seeking to bring 99 county offices together on one Web portal?
- The implication that our project was simply repeating what had been done elsewhere is false. While we were able to build on a template used in other NIC projects for the individual treasurer’s homepage, we developed the content, tax payment application, and worked with 99 systems consisting of software vendors including CMS, Solutions, and 9 custom counties.
- A state of the art payment system was developed in which payments are made in 99 counties, processed through one payment source and distributed to 99 counties.
- Complex treasury management and audit procedures are in place for each method of payment (eCheck, Discover, MasterCard, and VISA) with 198 accounts (99 incoming and 99 outgoing) monitored daily to assure that payment records and disbursements balance.
- The ISCTA website includes a password protected web administrative site that provides the tools for each treasurer to balance daily collections, track, and account daily for all citizen property tax, batch, portfolio, and motor vehicles payments made through our website.
- The web administrative site provides the tools required to accomplish the treasury management and audit process.
- The ISCTA website includes a password protected extranet which brings tremendous value to our membership.
- The ISCTA Website Task Force spent hundreds of hours developing, testing, changing, monitoring, training, and auditing the first-in-the Nation, state-wide property tax application. We accomplished this in 6 months! New services are constantly being added.
- The ISCTA project has received both national and international recognition.
- The ISCTA project was initiated without legislative funding or mandate.
- When we began several counties did not have access to the internet or were working with a dial up modem. For each county, we defined the data set and created uniformity. The

process is automated and occurs twice daily. Statewide over \$4 billion in property tax is available to pay online at our site.

- Nearly one billion dollars have been collected, processed and reconciled through our website.
- Approximately 3,000,000 motor vehicle records are available on-line for renewal and the corresponding cash flow and audit trail required for processing.
- Our Website consists of seven separate and complex components:
 - The ISCTA Property Tax Application
 - Tax Application Administrative Site for treasurers to reconcile and balance
 - ISCTA Motor Vehicle Renewal Application
 - Motor Vehicle Administrative site for treasurers to reconcile and balance
 - A batch payment system for third party payer, i.e., mortgage companies.
 - A portfolio payment system for large property owners and banks providing escrow services.
 - ISCTA “Members Only” password protected website – where we build consistency and communication with Iowa’s 99 county treasurers. It has been a VALUABLE asset to our association!

5) Q14 – CLRIS “Also, we do not agree with the premise that the Treasurers’ payment system does not cost taxpayers any money. In the Treasurer’s system, Iowa Interactive controls and receives the user fees.”

Treasurers Response:

- ISCTA negotiated and approved the \$1.50 per transaction fee. This fee goes to Iowa Interactive and covers the following items and services:
 - Website content and software development
 - Hardware
 - Hosting
 - Maintenance
 - Marketing assistance
 - Training
 - Payment engine costs

In other words – NO COST to county taxpayers – only those citizens who choose to use the system pay for the convenience through the \$1.50 transaction fee.

- ISCTA negotiated a revenue sharing policy arrangement with Iowa Interactive. Upon recovery of documented development cost (less than \$500,000), ISCTA will receive 20% (30 cents) of every transaction fee to be used for the following purposes:
 - Reduce service delivery fees
 - Market website services
 - System enhancements
 - Maintain a self supported system
 - Educational training opportunities
 - Internet security audit

Reference Exhibit “B”.

6) Q14 – CLRIS “In response, the Treasurers and Iowa Interactive offered a model to ISAC that would have cost \$1.50 per transaction for the payment engine alone!”

Treasurers Response: The \$1.50 per transaction fee, as offered in the ISCTA eGovernment Services proposal to ISAC and available to all affiliates includes:

- Payment engine
- ISAC portal
- Affiliate portals
- County websites
- Individual county home page
- Search engine
- Application hosting
- Consultation
- Marketing

As stated in the ISCTA proposal to ISAC: “Different billing structures could be worked out under the transaction based system. The transactions could be counted and billed to an affiliate on a monthly basis or a fee could be added to the application for the user or other alternatives could be discussed.”

7) Q14- CLRIS: “The fee secured through this process is 60 cents per transaction, compared with the \$1.50 transaction fee charged by Iowa Interactive.”

Treasurers Response:

- For reasons cited above this is not a valid comparison.

In Closing:

The treasurers attribute their success to the following business decisions:

- Market internally (resulting in total buy-in by 99 county treasurers)
- Not to own hardware or software
- Maintain management control internally
- No dependence on legislative action or statutory fees
- Self funding and sustaining
- Utilize existing contracts and partnerships

The Iowa State County Treasurers Association is proud of their accomplishment in providing eGovernment services to the citizens of Iowa. We understand the value of integration and the need to avoid the cost of unnecessary duplication. We remain available for any additional comments, questions or concerns.



IOWA STATE COUNTY TREASURERS ASSOCIATION

September 21, 2004

TO: Phil Dunshee, Project Manager – CLRIS Project
FROM: Lee Duin, ISCTA WEB Policy Group
RE: CLRIS Request For Proposal

I wanted to thank you for the opportunity to submit a proposal by the 24th of this month on the payment engine and merchant service agreement for the CLRIS project. It is an opportunity that we take very seriously and we wanted to respond to you as soon as we could for your purposes.

After conversations with the ISCTA Board and with Iowa Interactive, the September 13, 2004 letter which I provided to you is, in part, our response to your proposal. We believe that there is a bigger need that can be addressed through a more global proposal which ISCTA has submitted to ISAC for its consideration. We believe the CLRIS project and other ISAC affiliate projects could benefit under this proposal.

The issue of providing a payment engine, financial structure and merchant agreements for all counties, large and small, rural and urban, or sparsely and densely populated, can only enhance the service for everyone. We believe that the CLRIS project and other projects can be significantly enhanced by the more expansive proposal and that the larger scale proposal will assist counties in providing and receiving services that they would otherwise not have available to them. High quality payment engines and services are not cheap and for this reason would be completely unavailable to most counties or ISAC affiliates. By banding together, we believe that the best level of services will be provided to all counties and ISAC affiliates.

As you know, it is difficult to estimate the online activity that will be available over the first six months or year of a project. We believe our proposal will provide services at a very affordable rate to any project, even those that don't have a transaction base to obtain affordable rates. It is our hope that CLRIS will join us in this endeavor as we believe that would be beneficial to all the counties as well as CLRIS.

For these reasons, we do not believe that it is in ISAC's or ISCTA's best interest to respond to CLRIS at this time as we have hopes CLRIS will join us in promoting a more comprehensive solution which would benefit the entire ISAC organization. We understand that CLRIS needs to do what its Board feels is the best thing for the project and we would be happy to discuss that and our proposal with them at anytime.

Cc: CLRIS Task Force Members
Bill Peterson, ISAC Executive Director
Tim Erickson, General Manager, Iowa Interactive
Bob Rafferty



eGovernment Services

A Proposal to Iowa State Association of Counties

The County Treasurers would hope that from the success of their projects all county offices will utilize e-government work to provide services and efficiencies to the citizens of the state. In order to assist and facilitate the e-government process, ISCTA proposes the following to ISAC and its affiliates regarding necessary services which could be available to each and every county office.

This proposal outlines a way to assist in facilitating services to all county offices in order to better coordinate and assimilate services under one umbrella (through ISAC) and make sure that the services were available statewide on an ongoing basis. This provides a structure for making key and essential decisions for the development of e-government services and ways to implement these decisions in a coordinated, consistent, meaningful manner.

How do you implement a strategy to provide e-government services?

E-government usually happens first in large counties. The tax base and the sheer population provide an avenue for large counties to move forward on e-government projects and the outreach of county services increases on an ongoing basis. The problem is that these services may not be provided in the smaller counties because they do not have the population or the tax base to justify the large application development charges that most vendors have at their disposal.

It is difficult for counties to think in a cross-boundary world. The immediate problem is always the fear that you need to get your own tasks done first. The ability to mold the services into one cohesive unit is difficult and sometimes seems impossible.

The spirit of working together statewide in an effort to establish virtual county courthouses all across Iowa would be tremendous. The possibilities of providing more cost effective services for the citizens of the state while improving the processes, time and efficiencies for the county offices is a tremendous prospect and a worthy task.

How do we move forward? We can build upon the success and the knowledge that has been gained on other projects. This knowledge can work to our benefit. Here are some of the key points.

One of the lessons learned early in this process is all for one and one for all.

Tremendous efficiencies and abilities are gained by working together on projects. The larger counties gain the ability to pool talents, offer more services and aggregate resources. Smaller and medium sized counties have accesses to resources which they might not have without a cooperative effort.

In an e-government environment, we have found that working together provides many benefits which can't be overlooked. Volume is key for financial institutions; working together helps make a sizable impact on cost of service. Services for businesses and citizens which go across boundaries are helpful to all involved. Together, we are a stronger organization than in separate entities.

In order to facilitate a stronger relationship with other county offices and entities, ISCTA would like to propose the following resources to ISAC:

Structure

The structure outlined on the following page creates an environment to assist counties with e-government needs. Included is one arm for Direction and Coordination, a second arm for Project Implementation and Management, and a third arm for Essential Support and Services necessary for e-government work on a statewide basis.

The first arm, that of Direction and Coordination is an ISAC staff position that would provide services to each affiliate to get citizen input and business input in the development of strategies for future services. The staff person would facilitate work to coordinate services between affiliates on an on-going basis. This person could work jointly with outside consultants to provide these services to the affiliates for the general public and businesses. These services would be provided by the party(ies) determined by the affiliates, counties and/or ISAC.

The second arm would provide specific input on Project Management and Implementation. This branch would work to make sure that any projects that are done for affiliates would be done in a manner with the county offices in mind, and would make sure that any projects done on a statewide basis would be able to work in a uniform manner for the good of the county organizations and the state. Each project must meet standard accountability and completion goals and these could be organized and tracked by this branch of the structure. These services would be provided by the party(ies) determined by the affiliates, counties and/or ISAC.

The third arm would provide Essential Support and Services for the e-government work that needs to be done. ISCTA has a direct proposal for ISAC to assist in this particular branch. The proposal is simple. Iowa Interactive, our currently contracted partner, has offered the following services to be provided to ISAC for any statewide project which is deemed appropriate by ISAC:

Development of an ISAC portal

Iowa Interactive will design a page for every county to display any links to applications (all applications, not just those built by Iowa Interactive) on any county page and a search

to provide better ability for the public and businesses to access those services.

Hosting of Websites

Iowa Interactive will provide hosting to any county who chooses to use them for hosting of a website at no cost.

Website Tools

Iowa Interactive will provide some website tools at no cost to the counties. This will include a web-administered content kit which allows counties to build websites without knowledge or need of website software or html. This allows counties to have website and easily update content at anytime and through a web browser. Iowa Interactive will provide five basic design templates for the counties to choose from when creating a county website. Services will be included such as accessibility checks and other testing to make sure federally mandated web standards are met on each county's web page.

Search Engine

Iowa Interactive will provide a search engine for use by each county to provide results for searches on pages which will be indexed on a regular basis.

Hosting of Applications

Iowa Interactive will, on a limited and mutually agreed upon basis, be available to host reasonable applications for ISAC and its affiliates at no cost. Applications that are not built by Iowa Interactive will be subject to review and approval before it is mutually agreed that they would be hosted by Iowa Interactive.

Consultation

Iowa Interactive will provide consulting services to any affiliate or county on their website at no cost. This would include some accessibility testing and other services that may not be available to counties if resources are not aggregated.

Other Services

Other web services as mutually agreed upon by ISAC and Iowa Interactive including marketing and adoption services could also be added on appropriate services.

Payment Engine

Iowa Interactive will agree to provide the aforementioned services if ISAC agrees to use Iowa Interactive's payment engine exclusively on all statewide applications undertaken through this model. The Payment Engine could be available for any application whether it was built by Iowa Interactive or some other vendor. The financial structure instituted by the County Treasurers would also be available for use by ISAC and its affiliates for this purpose, which included using the Polk County Treasurer's Internet Clearing Account (PCTICA) as the holding account for county funds collected electronically to

assure sinking fund protection of the funds.

The proposed cost would be structured through a transaction-based system: a transaction fee of \$1.50 would be applied to each transaction going through the payment engine. The fee would be paid to Iowa Interactive. Different billing structures could be worked out under the transaction based system. The transactions could be counted and billed to an affiliate on a monthly basis or a fee could be added to the application for the user, or other alternatives could be discussed. This structure provides the cost recovery method for the services rendered. The fee would be standard across the board. Iowa Interactive would not be responsible in any way for fees from any credit card vendor.

This would allow for the aggregation of bank-related fees for each application statewide and would provide the best possible rate for each affiliate and each county. A payment engine can be an expensive endeavor. This method insures accessibility to a payment engine for all counties, accountability for all counties and a standard fee for all counties.

PCTICA Management Services

In addition to the Essential Support and Services and transaction-based cost model discussed in this proposal, an annual fee would be assessed by Polk County to affiliates using the Payment Engine for Polk County's cost recovery in providing the audit services and the sinking fund protection of the holding account for the Payment Engine. A separate agreement would be established between each affiliate and any related county office to share in these costs.

A one time setup fee and annual maintenance fee should be considered for each project. These fees, to be determined by ISAC, would be distributed to the one or two counties that provide special PCTICA audit services and to ISAC for recovery costs associated with the new staff position.

Moving e-Government Forward

ISCTA and Iowa Interactive have experience which could be beneficial to everyone involved in an e-government endeavor. This proposal would allow for the easy access to e-government services for each county on a statewide basis. It provides a way for ISAC to implement projects, manage projects, and coordinate projects on a case-by-case basis and provide a system to deploy and maintain applications developed by any vendor through a proven e-government infrastructure. It provides the best of all e-government worlds and advances Iowa as a national leader in cross boundary services and inter-county collaboration.

EXHIBIT “B”

ISCTA POLICY GROUP RECOMMENDATION

TO: ISCTA Executive Board

Whereas the Treasurers’ Website Project is expected to meet the revenue sharing provisions of the master website contract in the third quarter of 2005 (two years sooner than anticipated). The ISCTA Website Policy Group, at their semi-annual meeting, April 12, 2005, offers the following recommendations to the ISCTA Board of Directors:

- ISCTA issue an RFP for an actuarial study to be used as a basis for the Website Policy Group’s projection of revenue share funds,
- ISCTA retain legal counsel to review ISCTA’s non-profit status in light of revenue share funds, and
- ISCTA use the revenue share funds to increase use of website services to gain efficiencies in local government.

Now therefore the following items are prioritized for the use of revenue sharing funds:

- Reduce service delivery fees
- Market website services
- System enhancements
- Maintain a self supported system
- Educational training opportunities
- Internet security audit